

Message Text

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DEPARTMENT PASS AGRICULTURE FOR HUME AND LANKFORD

E.O. 11152: N/A

TAGS: ETRD, EAGR, JA

SUBJECT: SOYBEANS: PROPOSED JAPAN-BRAZIL LONG-TERM AGREEMENT

1. SUMMARQ: NIHON KEIZAI SHIMBUN OF JAN 17: 1976 REPORTS
PROPOSAL BY BRAZIL FOR LT AGREEMENT TO SUPPLY 300,000 MT SOYBEANS
ANNUALLY TO JAPAN. SUGGESTS GOJ IS GIVING PROPOSAL SERIOUS
CONSIDERATION. END SUMMARY.

2. ALTHOUGH MAF DECLINED TO CONFIRM ABOVE REPORT, APPEARS THERE
MAY BE SOME TRUTH IN IT.

3. REPORT SAYS: (A) BRAZIL WOULD USE BETROBRAS (PHONETIC),
NATIONAL PROJECTS CO, AS EXPORTER AND SELECT TWO OR THREE JAPANESE
TRADING COMPANIES AS IMPORTERS.

(B) BRAZIL'S SOYBEAN PRODUCTION HAS INCREASED FIVE FOLD
SINCE 1971 AND IS NOW THEIR NUMBER TWO FOREIGN EXCHANGE EARNER
(NEXT TO COFFEE). WITH CURRENT TRADE DEFICIT SITUATION (IN
GENERAL AS WELL AS WITH JAPAN) LT AGREEMENT WOULD GREATLY HELP.

(C) CONCLUDING AGREEMENT WOULD HELP STABILIZE JAPAN'S
IMPORTS (AS BRAZIL'S CROP PRODUCED DURING U.S. OFF-SEASON) AND
WOULD BE IN ACCORD WITH GOJ POLICY TO DIVERSIFY SOURCES SUPPLY.

(D) AGREEMENT MAY HELP BRAZIL BECOME BETTER MKT FOR JAPANESE
EXPORTS AND CAPITAL.

(E) JAPAN MAY BE UNWISE NOT TO MAKE AGREEMENT AS BRAZIL
ALREADY HAS SIMILAR AGREEMENT WITH SOME EC COUNTRIES, VIZ,

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W. GERMANY AND NETHERLANDS.

4. CONCLUSION OF SUCH AGREEMENT AT 300,000 MT LE EL (COMPARED TO 48,000 MT IN 1975) WOULD PROBABLY MEAN SIGNIFICANT DECLINE IN U.S. MARKET SHARE (NORMALLY 90 PERCENT PLUS).

5. ON PURELY ECONOMIC BASIS BRAZIL CANNOT GIVE STRONG COMPETITION DUE TO HIGH FREIGHT RATES, ETC. NEVERTHELESSN CONCEIVABLE THAT OTHER FACTORS COULD OUT-WEIGH THIS CONSIDERATION.
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